R.J. Reynolds Tobacco Company

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Winston-Salem, N.C. 27102

November 2, 1993

TO REGIONAL SALES MANAGERS

Subject: **Sales Force 2000 Update**

The War in the Store continues to rise to new levels. This year, we have been faced with Full Price decline, Savings escalation, Marlboro Friday, and the most recent Philip Morris pricing actions which have caused our earnings to be reduced by $900 million.

As hectic as the pace has been, I wanted to take this opportunity to give you an update on our Sales Force 2000 test. Since 4th Quarter 1992, our Sales Management Team has been testing different retail alternatives in six regions (Minneapolis, Buffalo, North Florida, Philadelphia, Dallas, Los Angeles) to determine the appropriate staffing needs to support our business. With the industry's new pricing structure, to be efficient and cost effective is more important today than ever before.

The objectives of the Sales Force 2000 test are to improve the efficiency and effectiveness of the Sales Organization. To accomplish this, we are focusing on four major actions:

1. Redefining the retail selling organization
2. Establishing an effective implementation and execution function
3. Refocusing chain account sales people on selling
4. Eliminating duplication of administration work by centralizing it at the Region level

In the test, we have redefined our retail call procedures and clearly defined the level of responsibility at retail. This was put in place in each of the six test markets and discussed at the 1/93 national meeting. We have a renewed focus on high-impact selling activities, which will allow sales reps to focus more clearly on key business opportunities that result in increased sales and profitability.

In addition, we also set out to improve our effectiveness in managing the implementation and execution of our retail programs. We have done this through efficient scheduling, improved call frequencies, and proper planning.

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To refocus our chain account sales people on selling, we are taking the first step to reduce unrelated accountabilities such as administration. Then we need to take the time to analyze each account's business, make educated merchandising and promotion decisions, and become category experts.

Earlier, I communicated to you that we decided to expand the Region Operations Unit nationally. We recently named the operations managers and are now in the process of training all personnel and setting up each unit on a market-by-market basis. The Region Operations Unit will assist your managers in getting out of the office and on the street, closer to the customer, developing employees and becoming the marketplace expert.

The attached chart shows a proposed new structure of a Region Business Unit with the positions in place to impact and support the four actions outlined above. We began testing this structure in the Minneapolis Region on September 13. A comprehensive training program to include classroom and on-the-street training was implemented to provide both sales reps and retail reps a complete understanding of their new accountabilities.

I know the rumor mill is in "high gear" concerning the Minneapolis test; however, there are many issues and many unanswered questions given the significant changes in our business and the marketplace. We are running the test in a full region to determine if it makes business sense and can we be more effective and efficient. One thing we do know is that it won't be the "one size fits all" approach. We have some markets which have very unique problems, i.e., distribution channel issues.

In closing, our business has changed and we are investigating and testing new and different ways of running our business. Our sales organization is a key driver of our business and provides us a clear edge or advantage over competition. Our intent is to make the necessary adjustments short-term during these difficult times, but more importantly, on a long-term basis, we must take our sales leadership position into the next century.

Sincerely,

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Yancey W. Ford, Jr.

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Attachment

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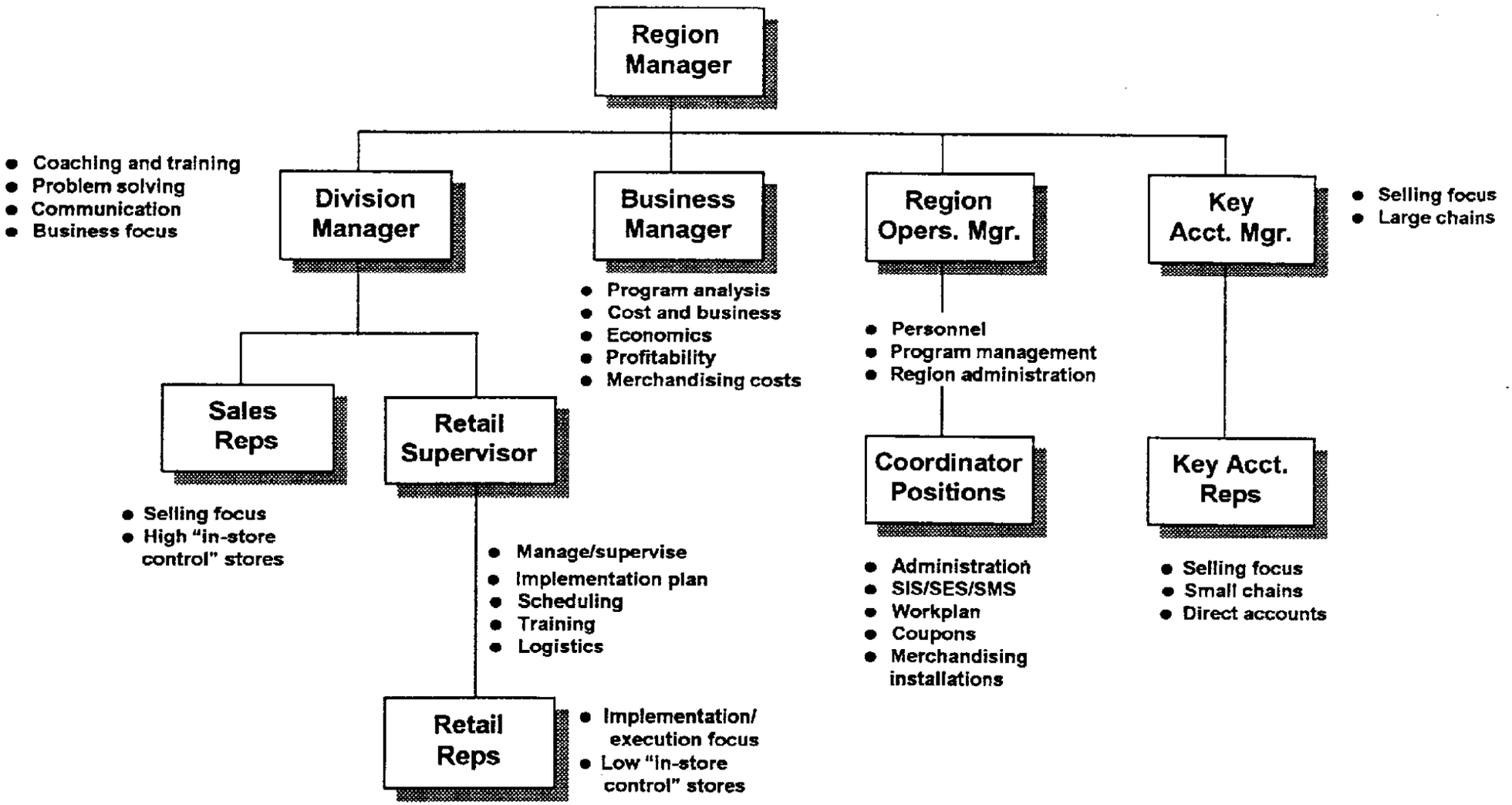
TEST REGION STRUCTURE



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